

Course No: BGGC1291

Course Title: Accounting Principles (II)

Date: 26 / 03/ 2011

No. of Questions: 3

Time: 1.15 hour

Using Calculator :(Yes)

University of Palestine



Midterm Exam  
Second Semester  
2010/2011  
Total Grade: 20

Instructor Name:Mr.Tareq Y. Abu Al-Ajeen

Student No.: \_\_\_\_\_

Student Name: \_\_\_\_\_

College Name: \_\_\_\_\_

Dep. / Specialist: \_\_\_\_\_

Using Dictionary (No)

• Answer all Questions

**First Question:** True or false

**No. of Branches (6)**

*Answer (4) questions only*

( / 2)

- 1-The lack of agreement between the bank balance and the book balance is due to time lags and errors (.....)
- 2-The percentage of receivables basis results in a better matching of expenses with revenues than the percentage of sales basis (.....)
- 3- A one-column purchases journal is used to record purchases of merchandise on account (.....)
- 4- The safeguarding of assets is an objective of a company's system of internal control (.....)
- 5- Allowance for Doubtful Accounts is a contra asset account (.....)
- 6- The accounts receivable turnover ratio is computed by dividing total sales by the average net receivables during the year (.....)

**Second Question:** Multiple Choice

**No. of Branches (6)**

*Answer (5) questions only*

( /5)

1. Ginter Co. holds Kolar Inc.'s \$10,000, 120-day, 9% note. **The entry made by Ginter Co. when the note is collected**, assuming no interest has been previously accrued, is:
  - A. Cash            10,300  
      Notes Receivable            10,300
  - B. Cash            10,000  
      Notes Receivable            10,000
  - C. Accounts Receivable    10,300  
      Notes Receivable            10,000  
      Interest Revenue            300
  - D. Cash            10,300  
      Notes Receivable            10,000  
      Interest Revenue            300

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Using Dictionary (No)

2. On a bank reconciliation, outstanding checks are:

- A. Added to the bank balance.
- B. Deducted from the bank balance.
- C. Added to the book balance.
- D. Deducted from the book balance.

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3. In 2011, Roso Carlson Company had net credit sales of \$750,000. On January 1, 2011, Allowance for Doubtful Accounts had a credit balance of \$18,000. Past experience indicates that 3% of net credit sales become uncollectible. **What should be the adjusted balance of Allowance for Doubtful Accounts at December 31, 2011?**

- A. \$10,050.
- B. \$10,500.
- C. \$22,500.
- D. \$40,500.

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4. Buehler Company on June 15 sells merchandise on account to Chaz Co. for \$1,000, terms 3/10, n/30. On June 20, Chaz Co. returns merchandise worth \$300 to Remmers Company. On June 24, payment is received from Chaz Co. for the balance due. **What is the amount of cash received?**

- A. \$700.
- B. \$680.
- C. \$686.
- D. None of the above.

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5. Lane Company uses the percentage of sales method for recording bad debts expense. For the year, cash sales are \$500,000 and credit sales are \$2,000,000. Management estimates that 1% is the sales percentage to use. **What adjusting entry will Lane Company make to record the bad debts expense?**

- A. Bad Debts Expense    25,000  
    Allowance for Doubtful Accounts    25,000
- B. Bad Debts Expense    20,000  
    Allowance for Doubtful Accounts    20,000

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Using Dictionary (No)

C. Bad Debts Expense                      20,000  
    Accounts Receivable                      20,000

D. Bad Debts Expense                      25,000  
    Accounts Receivable                      25,000

6. Kaka Company developed the following reconciling information in preparing its September bank reconciliation:

Cash balance per bank, 9/30	\$11,000
Note receivable collected by bank	4,000
Outstanding checks	6,000
Deposits-in-transit	3,000
Bank service charge	50
NSF check	800

**Determine the cash balance per books (before adjustments) for Kaka Company.**

- A. \$8,850.  
B. \$14,000.  
C. \$4,850.  
D. \$11,000.

**Third Question**

**No. of Branches (2)**

**(     /13)**

**Q3 B1:**

**(     / 4 )**

The petty cash fund of \$200 for Walsh Company appeared as follows on December 31:

**Cash Balance:**

**\$93.60**

**Petty cash vouchers:**

Freight in	\$20.40
Postage	40.00
Balloons for a special occasion	18.00
Meals	25.00

**Instructions**

*(a) Prepare in general journal form the entry to replenish the fund.*

*(b) On December 31, the office manager gives instructions to increase the petty cash fund by \$100. Make the appropriate journal entry.*

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**Using Dictionary (No)**

**The Answer:**

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**Using Dictionary (No)**

**Q3 B2:**

( / 9 )

On December 1, the accounts receivable control account balance in the general ledger of the Titus Company was \$9,000. The accounts receivable subsidiary ledger contained the following detailed customer balances: Ace \$1,500, Baker \$2,100, Farr \$2,600 and Grote \$2,800. The following information is available from the company's special journals for the month of December:

**Cash Receipts Journal:**

22/12 Cash received from Farr \$1,900,  
24/12 Cash received from Ace \$2,600,  
27/12 Cash received from Santo \$1,700,  
30/12 Cash received from Baker \$1,500.

**Sales Journal:**

02/12 Sales to Santo \$2,300,  
09/12 Sales to Farr \$2,700,  
18/12 Sales to Ace \$2,300,  
23/12 Sales to Grote \$2,000.

***Note: ignore COGS.***

**Instructions**

- (a) Journalize the transaction by using the special journals.***
- (b) Using T-accounts for Accounts Receivable Control and post the activity for the month of December.***
- (c) Using T-accounts for the detail customer accounts (subsidiary Accounts), post the activity for the month of December.***

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**Using Dictionary (No)**

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**The Answer:**

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**Using Dictionary (No)**

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**Continue the Answer:**

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**End of Questions**

***Good Luck***